

DEPARTMENT OF PUBLIC HEALTH FY 2023-24 AND FY 2024-25 BUDGET

April 18, 2023 Health Commission

Agenda

2

1. Update on Five-Year Projection and additional budget instructions
2. DPH Proposal to Meet Additional Reduction Targets
3. Next Steps

Five-Year Forecast Worsened by \$51.5 Million In March

3

- ▣ Lower revenue projections
- ▣ Increased health benefit and pension costs
- ▣ Active labor negotiations with Police and Firefighters' unions and with the IHSS independent providers union
- ▣ Numerous pending or proposed policy decisions with fiscal impact

Table 1. Base Case – General Fund-Supported Projected Budgetary Surplus / (Shortfall)
(\$ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
<i>SOURCES Increase / (Decrease)</i>	(116.0)	18.3	85.6	72.8	191.3
Uses					
Baselines & Reserves	(55.6)	(56.0)	(91.2)	(162.6)	(210.5)
Salaries & Benefits	(65.5)	(216.8)	(324.7)	(433.2)	(574.7)
Citywide Operating Budget Costs	(83.9)	(204.3)	(317.0)	(413.2)	(517.8)
Departmental Costs	30.1	(30.1)	(76.7)	(139.1)	(207.9)
<i>USES (Increase) / Decrease</i>	(174.9)	(507.3)	(809.6)	(1,148.1)	(1,511.1)
Projected Annual Surplus / (Shortfall)	(290.9)	(488.9)	(723.9)	(1,075.3)	(1,319.8)

Two Year Deficit (779.8)

March Instructions

4

- Additional General Fund reductions issued on March 30th; DPH received an extension until April 18th Health Commission for submission
 - 5% reduction annually, which represents \$50 M annually or \$100 M over the two-year budget
 - Review vacant positions
 - Review older continuing projects for one-time savings
- Given the rapid turnaround, initial proposal may be adjusted pending additional analysis
- Beyond this instruction, Mayor's Office will need to look at rebalancing Prop C funds, which is also projected to have shortfall

DPH Approach to Budget Balancing For FY 2023-25

5

Strategies for additional general fund savings

- ▣ Further Step Down COVID-19 Operating and Response
- ▣ Leverage revenue opportunities for general fund savings
- ▣ Realign budget to reflect historical actual spending and without impact to services
- ▣ Identify One-Time Savings

Community meeting with CBO stakeholders to preview proposals and gather input

- ▣ Thursday April 13th

Proposed April Savings: \$85 M

6

DPH Proposals for Health Commission		FY 23-24	FY 24-25
COVID-19 Response and Operational Reductions		(in millions)	
	Further Reduce COVID-19 SFHN Operational & PHD Response	6.9	4.8
	Closeout Unspent Funds in Current Year	<u>7.5</u>	-
	Subtotal	14.4	4.8
Contracts Savings			
	Realign BHS Contracts line to expected actuals	3.5	3.5
	Realign PHD Contracts line to expected actuals	1.0	0.5
	IT Contract and Work Order Savings	<u>0.5</u>	<u>0.5</u>
	Subtotal	5.0	4.5
Leverage Revenue to Reduce General Fund Support			
	City Option Interest to offset Administration Contract	20.0	10.9
	Align Services to MHSa Full-Service Partnership Program	1.5	1.5
	Shift of costs on to pending State and Federal grant sources	<u>4.5</u>	<u>1.8</u>
	Subtotal	26.0	14.2
Authority and Fund Closeouts			
	Continuing Authority Closeouts	7.1	-
	Refuse Lien Closeout	<u>7.0</u>	-
	Subtotal	14.1	-
Vacant Position Cuts			
	Vacant Position Cut	1.0	1.0
	Total	60.5	24.5

Continued Scale Down of COVID-19 Response Reductions

- COVID-19 emergency declarations are ending and federal funding is expiring, so evaluating step-down plans again
 - Test Kits will no longer be provided free for DPH to distribute to healthcare organizations and to the community
 - Expected continued support for vaccines for the uninsured
- Shift of testing and vaccine activity to healthcare system
- Reduced utilization results in high cost per test and vaccine
 - 11,000 tests total in Q1 of 2023 versus 135,000 in Q1 of 2022
 - At less than 3,000 tests in March, currently using less than 10% of available capacity, even with recent site closures
 - Most sites do not average min. expected 40 tests per day

Continued Scale Down of COVID-19 Response Reductions

8

DPH Proposals for Health Commission	FY 23-24	FY 24-25
<u>COVID-19 Response and Operational Reductions</u>	(in millions)	
Further Reduce COVID-19 Costs - Operational and Response	6.90	4.80
Closeout Current Year Underspent Funds	<u>7.50</u>	<u>-</u>
Subtotal	14.40	4.80

Reduce Testing and Vax contracts from \$5 M budgeted in February to \$3 M for \$2 M of savings annually

- Will likely reduce the number of continuing city-funded locations by 3
- Additional planning needed to finalize operational plan for sites

DPH Operations and Task Force Reductions of \$2.9 M in FY23-24 and \$2.8 M annually

- Eliminate \$2.4 million for one-time temporary staff budgeted in FY 2023-24
- Reducing the request for new civil service staffing permanent staffing by 14 FTEs, due to the relaxing of COVID-19 Protocols and needs

Closeout \$7.5 M of projected underspending for FY 22-23 at year-end

- Will retain \$500k of test kit distribution to CBO partners for FY 23-24

Leverage Revenue to Reduce General Fund Subsidy

9

Use interest income to cover administrative costs of San Francisco City Option (SFCO) - \$30.9 million

- \$850 million of employee funds shifted to the City Treasury in the fall of 2022
- Funds are still fully available to the employees, the City Treasury is now earning interest
- This interest revenue can now offset the program administration costs beginning in the current year to yield ~\$10 million of general fund savings annually starting in FY 2022-23

Shift \$1.5 million of general fund-supported full-service partnership costs onto MHSA

- Higher, one-time revenues over last two years resulted in a higher-than-expected unspent balance in MHSA
- Shift is consistent with the MHSA Three-Year Plan and expected State Focus on FSP

Working to identify grant, state, and federal resources to cover \$4.5 M of general fund programs

- \$1.5 million in positions in Behavioral Health Services and \$0.3 million in Population Health Division that can be funded with grants
- Pending grant applications to shift \$2.7 million of contract services to achieve a one-time general fund savings

Realign Contracts Budget for Expected Actuals

10

DPH Proposals for Health Commission		FY 23-24	FY 24-25
<u>Contracts Savings</u>		(in millions)	
BHS Contract Savings		3.5	3.5
PHD Contract Savings		1.0	0.5
IT Contract and Work Order Savings		<u>0.5</u>	<u>0.5</u>
	Subtotal	5.0	4.5

- Align budgeted contracts line item to reflect projected actual spending
- These adjustments will not affect any service levels or result in the change to any existing contracts
- Less than 2% of General Fund contracts, in line with historical trends

Realigning Budget to Achieve Savings

11

- Reducing General Fund vacant positions
 - Department is identifying approximately \$1 million in vacancies to delete in roles that will not impact delivery of care and will not result in layoffs
- Closing out \$6.9 M in balances for multi-year projects that are completed and/or no longer necessary
- Following a Controller determination this Spring, releasing \$7.2 M to the general fund for the refuse lien program

Next Steps

12

- With your approval, DPH will submit plan to Mayor's Office
- Continue to work with Mayor's Office as our proposal does not fully meet target
- June 1: Mayor's Office will consider proposals from departments and submit a balanced budget to the Board of Supervisors
- June/July Board of Supervisors' Budget & Appropriations Committee

DPH will keep the Commission apprised of any updates to our proposals

13

Questions